



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HF Financial Corp. (Holding Company) and Home Federal Bank (Subsidiary)

Person to be contacted regarding this report:	Curtis L. Hage
CPP Funds Received:	\$25,000,000
CPP Funds Repaid to Date:	\$25,000,000
Date Funded (first funding):	11/21/2008
Date Repaid ¹ :	6/3/2009

RSSD: (For Bank Holding Companies)	2500700
Holding Company Docket Number: (For Thrift Holding Companies)	H1927
FDIC Certificate Number: (For Depository Institutions)	28092
City:	Sioux Falls
State:	South Dakota

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The Company continued its normal lending activity and did not alter its underwriting standards. Nonetheless, during the period of 1/1/2009 through repayment on 6/3/2009, the Bank lent \$230 million.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>During the period 1/1/2009 through repayment on 6/03/2009, the Bank provided extensions of credit in the amount of approximately \$230 million. Approximately \$98.8 million was originated in residential mortgage and construction loans, \$57.7 million in commercial and ag mortgages.</p>
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>The Bank invested in approximately \$31.2 million of mortgage-backed securities, \$1.1 million of South Dakota municipal bonds, and \$1.5 million of GSE Agency debentures.</p>
<input type="checkbox"/>	<p>Make other investments</p>	
<input type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	



Reduce borrowings



Increase charge-offs



Purchase another financial institution or
purchase assets from another financial
institution



Held as non-leveraged increase to total
capital

What actions were you able to avoid because of the capital infusion of CPP funds?

We were an early participant in the CPP at the request of our government for healthy banks to be part of the economic stimulus program. We were not dependent upon CPP funds for the continued execution of our business plan.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We were an early participant in the CPP at the request of our government for healthy banks to be part of the economic stimulus program. We were not dependent upon CPP funds for the continued execution of our business plan.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Utilization of CPP funds was done in a normal course of business. We continued to serve the needs of businesses and individuals in our communities. As previously reported, the CPP funds were received on November 21, 2008 and repaid on June 3, 2009. During this time, we paid dividends in the amount of \$666,666.67, which equates to a 5% dividend rate. We expended \$650,000 of our capital to complete the early repayment of the CPP funds and redeemed the warrant on June 30, 2009. The warrant produced a 4.94% rate of return. The total rate of return to the taxpayer for the use of the CPP funds during this period was 9.94%. Following repayment of the CPP funds, we continue to provide banking services to our customers, and the business and individuals in the communities we serve, thereby supporting the efforts of economic recovery.